

Message Text

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AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

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TAGS: EFIN, IT, FR

SUBJ: PRESS REPORTS ON COLOMBO-GISCARD D'ESTAING TALKS

1. /SUMMARY/. ITALIAN PRESS REPORTS OR SPECULATES THAT MAJOR ECONOMIC TOPICS DISCUSSED BY ITALIAN TREASURY MINISTER COLOMBO, FRENCH PRESIDENT GISCARD D'ESTAING AND FRENCH MINISTER OF FINANCE FOURCADE AT SEPTEMBER 12 MEETINGS IN PARIS WERE: (1) POSSIBILITY OF "CONCERTED FLOAT" BY THE UNCLASSIFIED

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NINE, (2) POSSIBILITY OF MEDIUM-TERM EC BORROWING FOR

RELENDING TO ITALY, (3) CONVERSION OF EXISTING EC SHORT-TERM LOAN TO ITALY INTO A MEDIUM-TERM OBLIGATION, (4) WORLD INFLATION, (5) LIKELIHOOD OF WORLD RECESSION, (6) TRADE AND BALANCE OF PAYMENTS POSITIONS OF TWO COUNTRIES, AND (7) ACCEPTANCE OF ITALY AS MEMBER OF GROUP OF FIVE. /END SUMMARY/.

2. /CONCERTED FLOAT/. IT WAS REPORTED THAT POSSIBILITY OF "CONCERTED FLOAT" OF CURRENCIES OF NINE MEMBERS OF EC WAS DISCUSSED. BOTH ITALY AND FRANCE ARE NOT NOW PARTICIPANTS IN "SNAKE." IN PAST ITALIANS INSTEAD HAVE SUPPORTED CONCEPT OF CONCERTED FLOAT OF CURRENCIES OF NINE EC MEMBERS. GOVERNOR OF THE BANK OF ITALY, CARLI, IN MARCH 1973 FIRST ESPOUSED DESIRABILITY OF CONCERTED FLOAT IN LIEU OF TIGHTER CURRENCY RELATIONSHIP EMBODIED IN SNAKE. PRESS REPORTS THAT SUCH A CONCERTED FLOAT WOULD USE WEIGHTED EC UNIT OF ACCOUNT AS PIVOT FOR ALLOWABLE CURRENCY FLUCTUATIONS. IT WAS ALSO REPORTED THAT IDEA OF CONCERTED FLOAT MAY BE DISCUSSED AT SEPTEMBER 16 BRUSSELS MEETING OF EC MINISTERS OF FINANCE.

3. /MEDIUM-TERM LOANS/. COLOMBO IS BELIEVED TO HAVE RAISED QUESTION OF FRENCH SUPPORT FOR MEDIUM-TERM LOAN BY EC FOR RELENDING TO EC MEMBERS AND FOR CONVERSION OF EXISTING EC SHORT-TERM CREDIT TO ITALY INTO MEDIUM-TERM CREDIT. (EC CENTRAL BANKERS DECIDED ON SEPTEMBER 10 TO EXTEND \$1.9 BILLION SHORT-TERM CREDIT TO ITALY DUE SEPTEMBER 18 FOR ANOTHER THREE MONTHS.)

4. /WORLD INFLATION, WORLD RECESSION, TRADE AND BALANCE OF PAYMENTS/. TALKS BETWEEN COLOMBO AND GISCARD D'ESTAING ALSO TOUCHED UPON PROBLEMS OF WORLD INFLATION AND LIKELIHOOD OF WORLD RECESSION. BOTH LEADERS REPORTEDLY AGREED THAT REAL DANGER EXISTS OF WORLD RECESSION IF VERY STRONG ANTI-INFLATIONARY PROGRAMS ARE IMPLEMENTED BY EC MEMBERS AND UNITED STATES DURING SAME PERIOD. NEVERTHELESS, NEED TO COMBAT INFLATION WAS EMPHASIZED. TRADE AND BALANCE OF PAYMENTS POSITIONS OF ITALY AND FRANCE WERE ALSO DISCUSSED.

5. /BIG FIVE OR BIG SIX?/ IT WAS ALSO REPORTED THAT GENERAL QUESTION OF ITALIAN PARTICIPATION IN INTERNATIONAL ECONOMIC

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CONSULTATIONS WAS RAISED BY COLOMBO. ITALIAN INTEREST IN THIS SUBJECT STEMS FROM FEAR THAT NEW PERMANENT ECONOMIC DIRECTORATE IS BEING FORMED (I.E., BIG FIVE) FROM WHICH ITALY HAS EITHER BEEN EXCLUDED OR INVITED ONLY AS APPARENT AFTERTHOUGHT.VOLPE

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